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SOAK THE POOR

by Frank Chodorov

President Truman, whose political heart bleeds for every prospective elector, has called upon Congress to do something for the indigent aged. And that august body, equally solicitous about the ballot box, come November, is at this moment hard upon an enlarged pension program. Knowing reporters predict some "improvement" in social security legislation and, of course, an attendant increase in pay roll taxation.

The whole thing is sheer fraud. Any other description of this social security business is euphemistic. Even a superficial examination of this presumably eleemosynary scheme exposes the sophistication by which it has been insinuated into our policy. In fact, so shallow is the masquerade that one wonders how it gets by, and the fact that it does get by throws doubt on the vaunted gift of human reason.

The weekly deductions from the pay envelope, we have been told by social security advocates, are like premium payments on an annuity policy. The affluent and thrifty voluntarily protect themselves against the exigencies of their non-productive years; it is incumbent on Society to compel the virtuous poor to do the same. This analogy is on a par with the "pitch" of a street-corner hawker.

The premiums paid in on an insurance policy are so invested as to augment the capital of the insuring company, thus guaranteeing the soundness of the policy. Part of the premium is actually kept in reserve, and none of it is used to defray operating expenses. The premium is a saving, and as such becomes part of the nation's capital structure. Like a bank deposit, it is put to production, and out of this increase in abundance come the eventual annuity payments.

Is that what happens to social security taxes? Not a bit of it. Every cent exacted from the worker is thrown into the general tax fund, whence it is drawn upon for whatever ventures the State undertakes, such as oil for the lamps of China, or new uniforms for the army of Luxembourg. There is no reserve; no investment in productive enterprise. All is gone long before the time for paying out benefits.

When that time comes, when the aged calls for a return on his "policy", new taxes must be levied. The stipends he receives are actually provided for out of the earnings of a new generation. His children support him, not his savings. Furthermore, the pittance of the person

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allegedly "insured" by the government is subject to the indirect taxes levied on his own consumption, and to that extent he pays for his own "benefits". Whatever he gets in the form of a Treasury check comes out of current production, since what he was compelled to "save" during his productive days has long gone down the rat-hole of government spending.

II

That part of social security taxation which the employer throws in must be added to the expense of doing business, and as such is included in the price of its commodities or services. Since the worker is also the consumer, it is he who pays all of it -- plus the mark-up which is necessarily added to all cost. The "employer's contribution" is nothing but political hogwash.

Thus the analogy between social security and insurance falls completely apart. The deduction from the pay envelope is not a premium; it is a tax on the income of that segment of Society least able to bear it. It is a tax on wages, pure and simple.

In this we see a prime example of political perversity. The income tax was sold to the American people as a "soak the rich" measure and, while there were some who predicted that its tentacles would eventually reach into the pockets of the poor, it is a certainty that the electorate would have turned it down if they could have foreseen the outcome.

The Democratic Party had been licking lean bones ever since the Civil War. It was, in 1892, in about the same unfavorable position as the Republican Party is now, and, like the current "outs", Democrats were seeking a popular emotionalism on which to ride into power. The distemper of the times was a disparity in incomes between the agricultural belt and the manufacturing centers, for which the Populist-Granger dissidents had prescribed a specific. (They served the major parties then as do the Socialists now.) To understand the specific it is necessary to review briefly the economic situation of sixty years ago.

The agricultural South and West sold their products in the competitive world market, and the prices at the time were threatening to fall below the point of decent subsistence; the depression, later tagged onto President Cleveland, was in the making. On the other hand, for their manufactured needs the farmers were compelled to pay the prices supported and pushed upwards by protectionist tariffs. Feeling was bitter toward the Northeastern states, as symbolized by the telling indictment of "plutocrats of Wall Street".

Grover Cleveland, the Democratic aspirant, seized upon the situation: he advocated a lowering of tariffs. His political sagacity car-

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ried him further into the Populist camp. The loss of tariff revenue, he argued, would go hard on the Treasury, and the only way to make up the deficit was to lay a levy on incomes. Of course he argued, and many people took it for granted, that the incidence of this tax would fall only on the "malefactors of great wealth". The bill introduced by the Administration, declared unconstitutional by the Supreme Court in 1895, called for a tax on corporation incomes.

III

The fact is that this income tax enthusiasm was the ripening of the levelling passion which had showed itself even before the Revolution; a passion which the Founding Fathers hoped to contain with Constitutional "checks and balances". They knew that once the "mob" got hold of the reins of government they would steer it along the ruinous path of envy. In the Nineteenth Century, envy vented its spleen on large incomes. The more subtle, Communist-directed, objective today is the destruction of capital accumulation. To achieve this the income of the wage earner must also be attached by government.

The debate on the Cleveland income tax law, in 1894, centered on the issue of class legislation. It was just that, of course; the proponents, catering to mass envy, said that the rich ought properly to bear the burden of government, since they prospered most under it. How this would improve the condition of the poor was not shown. Nor did the "liberals" of that day consider the argument that if the rich were to pay the freight they ought properly to own the government. But hate, like love, has a perverse logic of its own.

The certain outcome, that this new means of concentrating economic power in the State would strengthen the politicians at the expense of the people as a whole, was largely overlooked. A few pointed this out, just as a few publicly anticipated the eventual use of the income tax for the confiscation of small incomes. But the shout of "soak the rich" drowned out all fundamental thinking.

Nor was it generally recognized that the income tax would be an additional burden on production, not a mere replacement of lost tariff revenue. It is a matter of record that the highest tariffs in the history of the country came after the Sixteenth Amendment was enacted. The State is insatiable. It is constitutionally incapable of giving up one source of revenue for another, but hangs on to what it has while it grabs for more. It flourishes by its intake. And the subtle robbery of "withholding" conceals his taxation from the wage earner.

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IV

So we come back to President Truman and the current urgency to increase social security taxes. The one and only excuse for this legislation is the need of the Administration for more money. What with an ever-expanding military budget, a subsidy-crazy populace bent on raiding the Treasury, and finally the insane policy of meeting all the deficits of incompetent foreign governments out of our own productive capacity, more revenue must be found. That's all there is to the matter. The promise of alleviating the difficulties of the indigent aged is merely the excuse for a further rifling of the pay envelope.

But, why go after the worker's earnings? Why not dig deeper into the pockets of those whose returns are derived from the use of capital? The answer should be obvious: there is more money in the national pay envelope than in the combined treasuries of all the corporations, and when you want more you go to the place where more is to be had.

It has been demonstrated, furthermore, that levies on undivided profits, and on what is speciously called "surplus capital", have the effect of cutting down production. This discouragement of production weakens the national economy, and a weakening of the national economy means a lowering of the tax supply. The cow that furnishes the milk must not be starved.

In the long run, any depletion of the worker's purchasing power will of course have the same effect on our economy. The politician, however, is quite myopic about the long run -- a hazard of his trade -- and must concentrate on the immediate source of money. Let the future worry about its inherited problems.

A further reason for going easy on the higher income brackets at this time is the organized resistance of this articulate and knowing segment of the population. Later on, some propitious emergency will break down this resistance. Right now it is easier to go still deeper into the pay roll, particularly as the wage earner is under the soporific of socialistic beatitudes, although his slumber fortunately seems increasingly uneasy.

Thus, political expediency has transmuted the income tax from a "soak the rich" measure into its exact opposite. This sardonic outcome seems to have been anticipated by the framers of the Sixteenth Amendment, when they resisted limitations on the income tax and incorporated the all-embracing phrase "from whatever source derived".

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Not Merely Gossip *A Supplement to* Human Events Vol. No. 18

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By Frank C. Hanighen

GERMANY: Outwardly a great deal of preening is going on in the State Department over the Russian proposal to lift the Berlin blockade. True, Soviet Russia thereby concedes defeat. But it was technics, not diplomacy, which brought about the Western victory. In that air power show, we exerted our national genius while, as Anne O'Hare McCormick well pointed out in the New York Times, we wasted valuable months in bunglesome dealings with our allies and with Germany. Indeed, we almost lost the whole rubber by our stupid policy towards Germany and only Robert Murphy's hasty trip to Germany saved the day -- temporarily. Actually our planners, for all their preening, feel a deep foreboding.

Informed circles believe that, in the coming diplomatic struggle, we face difficult odds. Moscow has evidently taken a new and much more dangerous tack in its efforts to deny to us control over the heart of Europe. Russia seems prepared to sacrifice its prestige in Poland and Eastern Europe by courting Germany. Several very strong cards lie in Stalin's hand and these worry the more percipient souls in the State Department and the Pentagon. What, for instance, can we do if Russia proposes an all round evacuation of Germany? This might well restore Soviet popularity among the German people -- or at least would make us even more unpopular than we are now if we resisted such a demand. What ace could we play, if Soviet Russia proposes to return Eastern Germany to the new Reich? And just suppose that Russia offers the highly attractive bargain -- full exchange of her raw materials for the products of German industry. These are the prospects that make the directors of our policy acutely unhappy, as they begin to recall Rapallo and the Moscow-Berlin alliance of 1939-41. So far as this column can discover, no one here knows how to deal with such Russian maneuvers. Yet the developing diplomatic poker game over Germany will challenge all the State Department's ingenuity. And we are not as good at this sort of contest as we are in the use of airplanes.

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ERHARD: The attractive profile of Mr. Paul Hoffman appears on magazine covers, while the heavy German physiognomy of Dr. Ludwig Erhard is not even honored by a newsphoto. But the fact is that Erhard had as much to do with the recent spectacular recovery of Germany as Marshall Plan aid, which Mr. Hoffman directs. It is, also, a curious fact that, while German Socialists like Ernest Reuter (Mayor of Berlin) receive considerable notice in our press when they arrive on these shores, the visit of a great European exponent of free enterprise gets no notice at all. Erhard, disciple of Hayek (Road to Serfdom), is chief economic administrator of the bi-zonal administration of Germany. He is responsible for the general lifting of controls and rationing in Germany which followed the currency reform of last summer. It would be an exaggeration to give all credit to this key figure for the economic revival of Germany. But observers who have closely watched the situation in the past six months estimate the causes of recovery as follows: 40 per cent of the revival is due to the currency reform, 30 per cent to Marshall aid, and 30 per cent to the lifting of controls. Against strenuous opposition from other members of the administration in Germany, Erhard carried through his policy of getting back quickly to a free enterprise system. His achievement, it would seem, merits some notice and examination in the American press during his current visit here. Yet he has not even received a discharge of billingsgate from the anti-German Walter Winchell.

Erhard, as a matter of fact, isn't the only conservative "forgotten man". There is Camille Gutt of Belgium, Luigi Einaudi of Italy, and Paul Reynaud of

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France. Inadequate tribute has been paid to these men whose free enterprise programs and ideas have done so much to shape their country's economic policies in the past two years -- policies which have borne fruit in amelioration of business conditions. Indeed, while a great deal of attention has been given to "Socialist recovery" in Britain, very little has been given to the free enterprise policies which have done so much to help the Continent.

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BALDWIN: Crocodile tears have been shed, during the past week, by "liberal" columnists over dear old Ray Baldwin of Connecticut. We were told that he sacrificed his Senate seat because his triple-brass "liberalism" got no encouragement from the reactionary Republican leaders; and so, with sad heart, he went to a deserved rest in the Valhalla of the Connecticut Supreme Court -- thanks to the high-minded action of Democratic Governor Chester Bowles. One may laugh at this sort of bosh and one can sincerely sympathize with Senate Republican leadership which mourns the loss of one vote in the comparatively close party line-up of the Upper Chamber. Yet it is difficult to condole with the GOP over the loss of this particular exhibit of "GOP liberalism".

Good old Ray distinguished himself in the Senate mainly by currying favor with any minority voting group which impressed his precinct-conscious mentality. Folks from Connecticut say he was a great vote-getter in that state. He should have been, considering the low level of democracy these days and his accomplished political technique. His broad genial smile and pat-every-back policy was undoubtedly irresistible. One thing he never forgot -- that the welfare pork barrel has the magic aura of "liberalism". If the voters were deluded by some current nostrum, Ray would not only strenuously avoid disillusioning them, but also would slavishly cater to their worst instincts. Thus, last week in a Senate committee Baldwin promoted "justice" by permitting certain testimony -- not germane to the matter -- which was obviously designed to inflame public opinion and to offset exposure of the horrible facts of our administration of justice abroad. Watching one of Baldwin's performances in another Committee hearing last year, we heard one observer ask, "Is this guy a Senator or a gift-card salesman?" We must congratulate, rather than commiserate with, the Republican Party; it is well off without such a figure.

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LABOR LAW: We have previously noted sentiment here and there for abolishing both the Wagner and Taft-Hartley Acts. There is a case for such a move. Some express legitimate fear that the Taft-Hartley Act, as well as the Wagner Act, feeds the power of centralized government; and there is also a feeling that labor-employer relations have reached a stage of maturity wherein satisfactory settlement of disputes could be reached without intervention by the Federal Government. Has this view made any dent on Congress? It was noticeable in the House votes on the Wood bill that representatives from districts where the mine workers predominate voted against any sort of Taft-Hartley compromise. But would these legislators have voted against any retention of Wagner Act provisions? Certainly not, unless Taft-Hartley were repealed. The fact is that leadership is needed for such a proposal. Last summer, John L. Lewis called publicly for such a course, but since his statement drew no response he has remained silent. Today, some conservative Members of Congress favor the idea. But it will not get very far unless these legislators take their courage in their hands and publicly back this fresh approach to a solution of the Labor problem.

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TRUMAN: Harry Truman hasn't the Roosevelt "touch", but he's picking up some of the old master's tricks. Observers recalled FDR last week when Truman called to the White House two vociferous critics of our China policy -- Senators Bridges and Wherry. The Roosevelt tactic was to invite (and who can refuse a Presidential bid?) critics of his policies to 1600 Pennsylvania Avenue for an "off-the-record" conference, just to "inform" the dissenters. The gentlemen would then come down from the Hill and while they were closeted with the President, the topic of the conference would be disclosed to the waiting members of the press. When the Members of Congress emerged, their evasion of press questions gave the impression that they no longer opposed the White House position. And naturally they could not reveal a word of what had been said, to dissipate this false impression. They were, as the newspapermen say, "sewed up". This predicament was substantially that of Bridges and Wherry last week and naturally newspaper readers concluded from their guarded remarks that they had changed their opinions after listening to the President. We checked with the offices of both Senators and were told that they had not altered their views on our China policy in the slightest. But neither were they happy about being "sewed up".

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STRATEGIC BOMBING: With the sad demise of that naval aircraft carrier in Hampton Roads last week, the star of the Air Force rises higher, and all the omens point to Air Force dominance of the Defense establishment. Now the Air Force's cardinal policy is strategic bombing. Therefore, it is well to report the dangers of this concept, as described by one of America's most distinguished military historians, Major Hoffman Nickerson. Nickerson shows up what he believes is the dangerous fallacy of strategic bombing in the course of an article (Army Ordnance, January-February); and quotes the British General J. F. C. Fuller. Fuller says that "war is no more than a lethal argument, and, to be worth the fighting, it demands a sane and profitable end". Its object, says Fuller, "is not slaughter and devastation but to persuade the enemy to change his mind"; i.e., to abandon the policies which on his side brought about the war. "Strategic bombing", Fuller insists, "as inaugurated by Mr. Churchill, was not only morally wrong but militarily wrong and politically suicidal -- one has only to look at Central Europe today to see this."

Major Nickerson goes on to elaborate on the Fuller idea in a way that warms our heart. The cult of Churchill is so far advanced in this country that there are many naive souls who still believe that he made no mistakes, and even that he prevented the liquidation of the British Empire. Nickerson says, "When at Casablanca in 1943, Churchill joined with Roosevelt in demanding unconditional surrender, he made certain that the balance of power, the necessary condition for the survival of the British Empire, would be destroyed. Strategic bombing and a war of unlimited hatred interlocked as perfectly as the parts of a picture puzzle." But wasn't Churchill's hand forced by public demand for strategic bombing, and on unconditional surrender by Roosevelt? "If", says Nickerson, "Churchill did indeed see the extreme unwisdom of compelling Germany to fight to the bitter end, he certainly gave no public indication of having done so. Both unconditional surrender and strategic bombing are in full accord with the vehemence of his frequently expressed hatred for Hitlerism. If he could not have kept up British morale without initiating or consenting to policies destined to go far toward ruining his country, then most of the blame is due to what, under contemporary conditions, is oddly called democracy. At any rate, after a war throughout most of which he controlled British policies, Britain is bankrupt and the liquidation of the Empire is far advanced. In other words, the statesmanship of this magnificent inspirer of fighting men has disastrously backfired."

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Book Events

Leaders of the French Revolution, by J. M. Thompson. Oxford: Basil Blackwell. Price not indicated. Reviewed by J. M. Lalley.

Mr. Thompson has gained some eminence in what is probably the most overworked field of historical research. His one-volume study of the French Revolution is as good an introduction to the subject as any, and more trustworthy than the famous works by Nineteenth Century historians who had not the benefit of lately discovered materials nor of the special insights afforded by our own revolutionary age. It is for the same reasons that Mr. Thompson's gallery of revolutionary portraits has special interest; such sketches as these enable us to recognize the various sorts of men who in epochs of violent transition and public panic or confusion are flung up by the troublous waves of politics and appear briefly at the crest of affairs.

The dominant temper of French revolutionary politics is one of ideological infatuation and intellectual mediocrity. Probably no other age, unless our own, has been productive of so much abominable rhetoric and meretricious art. This is understandable when we recall the febrile dream-world, fashioned out of Plutarch and Rousseau, that most of the leading figures inhabited. Of the eleven subjects chosen by Mr. Thompson, only two seem to rise above the level of the age; Lafayette by his generosity of spirit, and Mirabeau by his clarity of vision. We have in the one case the disinterested idealist defeated by his very purity of principle, in the other the rank opportunist in whom the expediencies of politics develop the genius of statesmanship. Yet it is not clear that even Mirabeau, had he lived and had the court heeded him, could have tamed and harnessed the forces he had helped unleash. He died, as Mr. Thompson reminds us, at the moment most favorable to his historical reputation. Mirabeau belongs, like Danton and Dumouriez, to the type of revolutionary adventurer, unencumbered by ideological baggage or awkward principles. Sieyes, Saint-Just and Robespierre are examples of the more dangerous type of revolutionary pedant which makes politics a branch of mathematics and mistakes bloodless abstractions for human aspirations. Fabre d'Eglantine, who gave to the months of a calendar intended for universal adoption poetical names appropriate to the latitudes of France, is the type of political Bohemian for whom revolution is a dramatic show or pageant upon a vaster stage. It is a type which rarely survives the inevitable phase which has been called "the reign of terror and virtue". The sentimental Louvet and the philosophizing Brissot belong to the type of revolutionary somnambulist which is led to destruction by a sort of hypnotic fascination with it, although Louvet survived the proscription of the Girondists and lived long enough to write the memoirs upon which Lamartine drew for his apotheosis of that faction. Mr. Thompson's remaining subject, Jean-Paul Marat, appears to defy classification. Our author chooses to deal with him sympathetically and even respectfully, awarding him the benefit of all doubts; but the net result is to support the familiar conception of Marat as a downright madman, possessed, however, of a demoniac genius. There is reason to believe that Marat became the prophet of terrorism because he was himself terrified by his imagination, that it was from a real or fancied need of security from his enemies that he called for more and more victims. His case indeed is not without some suspicion of paranoia, for one of his revolutionary grievances was that he had not been recognized as a greater scientist than Newton.

Again and again, however, Mr. Thompson reminds us that the French Revolutionary terror was by our standards a rather mild and squeamish business. Certainly, at the worst, life for the private citizen was far more secure and tranquil than in any modern Police State. The chief difference perhaps is in the degree to which politics has now invaded all life. If this is so, the case against the French Revolution is that the nationalism engendered by it was to make private life impossible.

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